



SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-93466; File No. SR-NYSEArca-2021-68]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Adopt New Exchange Rule 6.91P-O
October 29, 2021.

I. Introduction

On July 23, 2021, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt new Exchange Rule 6.91P-O to govern the trading of Electronic Complex Orders (“Electronic Complex Orders” or “ECOs”) on the Exchange’s Pillar trading platform and to make conforming amendments to Exchange Rule 6.47A-O.³ The proposed rule change was published for comment in the Federal Register on August 4, 2021.⁴ On September 20, 2021, pursuant to Section 19(b)(2) of the Act,⁵ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.⁶ The Commission has received no comments regarding the proposed rule change. This order institutes

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The proposal defines an Electronic Complex Order or ECO as “a Complex Order as defined in Rule 6.62P-O(f) or a Stock/Option Order or Stock/Complex Order as defined in Rule 6.62P-O(h)(6)(A), (B), respectively, that is submitted electronically to the Exchange.” See proposed Exchange Rule 6.91P-O(a)(1).

⁴ Securities Exchange Act Release No. 92563 (August 4, 2021), 86 FR 43704 (August 10, 2021) (File No. SR-NYSEArca-2021-68) (“Notice”).

⁵ 15 U.S.C. 78s(b)(2).

⁶ See Securities Exchange Act Release No. 93057 (September 20, 2021), 86 FR 53128 (September 24, 2021). The Commission designated November 8, 2021, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to approve or disapprove, the proposed rule change.

proceedings pursuant to Section 19(b)(2)(B) of the Act⁷ to determine whether to approve or disapprove the proposed rule change.

II. Description of the Proposal

Background

As described more fully in the Notice, the Exchange plans to transition its options trading platform to its Pillar technology platform. The cash equity markets of the Exchange and its national securities exchange affiliates are currently operating on Pillar.⁸ For the transition, the Exchange proposes to use the same Pillar technology already in operation for its cash equity market, thereby allowing the Exchange to offer common trading functions and common specifications for connecting to its cash equity and equity options markets. The Exchange plans to roll out the new technology platform over a period of time based on a range of symbols.

The Exchange has filed a proposal (the “Single-Leg Pillar Filing”) to add new rules describing how single-leg options will trade on the Exchange once Pillar is implemented.⁹ The current proposal describes how ECOs will trade on the Exchange once Pillar is implemented. As the Exchange transitions to Pillar, certain rules will continue to be applicable to symbols trading on the current trading platform, but will not be applicable to symbols that have transitioned to trading on Pillar.¹⁰ Proposed Exchange Rule 6.91P-O, which will govern the trading of

⁷ 15 U.S.C. 78s(b)(2)(B).

⁸ The Exchange’s national securities exchange affiliates are the New York Stock Exchange LLC (“NYSE”), NYSE American LLC (“NYSE American”), NYSE National, Inc. (“NYSE National”), and NYSE Chicago, Inc. (“NYSE Chicago”).

⁹ See Securities Exchange Act Release Nos. 92304 (June 30, 2021), 86 FR 36440 (July 9, 2021) (notice of filing of File No. SR-NYSEArca-2021-47). The Commission extended the time for Commission action on the Single-Leg Pillar Filing and instituted proceedings to determine whether to approve or disapprove that proposal. See Securities Exchange Act Release Nos. 92696 (August 18, 2021), 86 FR 47350 (August 24, 2021) (extending the time for Commission action on the Single-Leg Pillar Filing); and 93193 (September 29, 2021), 86 FR 55926 (October 7, 2021) (order instituting proceedings to determine whether to approve or disapprove the Single-Leg Pillar Filing).

¹⁰ The Exchange will announce by Trader Update when symbols are trading on the Pillar trading platform.

Electronic Complex Orders in options symbols that have migrated to the Pillar platform, will have the same number as the current Electronic Complex Order Trading rule, but with the modifier “P” appended to the rule number. Current Exchange Rule 6.91-O will remain unchanged and continue to apply to any trading in symbols on the current system. The proposed rule will use terminology that is based on Exchange Rule 7-E and will introduce new functionality for Electronic Complex Order trading. The Exchange intends to transition ECO trading on Pillar at the same time it transitions single-leg trading to Pillar.

Proposed Exchange Rule 6.91P-O: Electronic Complex Order Trading

Exchange Rule 6.91-O describes how the Exchange currently processes ECOs submitted to the Exchange. The Exchange proposes new Exchange Rule 6.91P-O to describe the processing of ECOs after the transition to Pillar.

Definitions. Proposed Exchange Rule 6.91P-O(a) defines terms that will apply to the trading of ECOs on Pillar, including the following:

- “ECO Order Instruction” will mean a request to cancel, cancel and replace, or modify an ECO;¹¹
- “leg” or “leg market” will mean each of the component option series that comprise an ECO;¹²
- “Complex NBBO” will mean the derived national best bid and derived national best offer for a complex strategy calculated using the NBB and NBO for each component leg of a complex strategy;¹³
- “Complex strategy” will mean a particular combination of leg components and their ratios to one another. New complex strategies can be created when the Exchange receives a request to create a new complex strategy or an ECO with a new complex

¹¹ See proposed Exchange Rule 6.91P-O(a)(2).

¹² See proposed Exchange Rule 6.91P-O(a)(3).

¹³ See proposed Exchange Rule 6.91P-O(a)(4).

strategy;¹⁴

- “DBBO” will mean the derived best bid (“DBB”) and derived best offer (“DBO”) for a complex strategy calculated using the Exchange BBO¹⁵ for each leg (or the Away Market NBBO¹⁶ for a leg if there is no Exchange BBO), provided that the bid (offer) price used to calculate the DBBO will never be lower (higher) than the greater of \$0.05 or 5% below (above) the Away Market NBB (NBO).¹⁷ The DBBO will be updated as the Exchange’s calculation of the Exchange BBO or Away Market NBBO, as applicable, is updated.¹⁸ If there is no Exchange BB (BO) or Away Market NBB (NBO) for a leg, the bid (offer) price used to calculate the DBBO will be the offer (bid) price for that leg minus (plus) “one collar value,” which is (i) \$0.25 where the best offer (bid) is priced \$1.00 or lower; or (ii) the lower of \$2.50 or 25% where the best offer (bid) is priced above \$1.00, provided that if the best offer is equal to or less than one collar value, the best bid price used to calculate the DBBO for that leg will be \$0.01;¹⁹
- “Complex Order Auction” or “COA” will mean an auction of an ECO as set forth in proposed Exchange Rule 6.91P-O(f);²⁰
- “COA Order” will mean an ECO that is designated by the OTP Holder as eligible to initiate a COA;²¹

¹⁴ See proposed Exchange Rule 6.91P-O(a)(5).

¹⁵ The term BBO when used with respect to options traded on the Exchange will mean “the best displayed bid or best displayed offer on the Exchange.” See Single-Leg Pillar Filing, proposed Exchange Rule 1.1.

¹⁶ In the Single-Leg Pillar Filing, the Exchange proposes that the term “Away Market NBBO” will refer to a calculation of the NBBO that excludes the Exchange’s BBO. See Single-Leg Pillar Filing (defining Away Market NBBO in proposed Exchange Rule 1.1).

¹⁷ See proposed Exchange Rule 6.91P-O(a)(6).

¹⁸ See *id.*

¹⁹ See proposed Exchange Rule 6.91P-O(a)(6)(A).

²⁰ See proposed Exchange Rule 6.91P-O(a)(7).

²¹ See proposed Exchange Rule 6.91P-O(a)(7)(A).

- “Request for Response” or “RFR” will mean a message disseminated to the Exchange’s proprietary complex data feed announcing that the Exchange has received a COA Order and that a COA has begun. Each RFR message will identify the component series, the price, and the size and side of the market of the COA Order;²²
- “RFR Response” will mean any ECO received during the Response Time Interval that is in the same complex strategy, on the opposite side of the market of the COA Order that initiated the COA and marketable against the COA Order.²³ The Exchange will consider any ECOs received during the Response Time Interval (defined below) that are marketable against the COA Order as an RFR Response; and
- “Response Time Interval” will mean the period of time during which RFR Responses for a COA may be entered. The Exchange will determine and announce by Trader Update the length of the Response Time Interval. The duration of the Response Time Interval will not be less than 100 milliseconds and will not exceed one second.²⁴

Types of ECOs. Under the proposal, ECOs may be entered as Limit Orders or Limit Orders designated as Complex Only Orders.²⁵ An ECO designated as a Complex Only Order will trade only with ECOs and will not trade with the leg markets.²⁶ If there is displayed Customer interest on all legs of the Complex Only Order, it will not trade below (above) one penny (\$0.01) times the smallest leg ratio inside the DBB (DBO) containing Customer interest.²⁷ Complex Only Orders are based in part on existing functionality for PNP Plus orders, which may

²² See proposed Exchange Rule 6.91P-O(a)(7)(B).

²³ See proposed Exchange Rule 6.91P-O(a)(7)(C). The term “marketable” is defined in proposed Exchange Rule 1.1 of the Single-Leg Pillar Filing.

²⁴ See proposed Exchange Rule 6.91P-O(a)(7)(D).

²⁵ See proposed Exchange Rule 6.91P-O(b)(1).

²⁶ See proposed Exchange Rule 6.91P-O(b)(1)(A).

²⁷ See *id.*

trade only with other Electronic Complex Orders.²⁸ ECOs may be designated with a time-in-force of Day, IOC, FOK, or GTC, as those terms are defined in proposed Exchange Rule 6.62P-O(b), or GTX.²⁹

Priority and Pricing of ECOs. Proposed Exchange Rule 6.91P-O(c) describes how ECOs will be prioritized and priced on Pillar. Under the proposal, an ECO received by the Exchange that is not executed immediately (or cancelled) will be ranked in the Consolidated Book according to price-time priority based on the total net price and the time of entry of the order.³⁰ When trading with the leg markets, an ECO must trade at or within the greater of \$0.05 or 5% higher (lower) than the Away Market NBO (NBB).³¹ An ECO will trade at the prices of the leg markets.³² For example, if there is sell interest in a leg market at \$1.00, and a leg of an ECO to buy could trade up to \$1.05, the ECO would trade with the leg market at \$1.00. When trading with another ECO, an ECO must trade at a price at or within the DBBO and no leg of an ECO may trade at a price of zero.³³ An ECO may trade without consideration of prices of the same complex strategy available on other exchanges.³⁴ In addition, an ECO may trade in \$0.01 increments regardless of the MPV otherwise applicable to any leg of the complex strategy.³⁵

²⁸ See Exchange Rule 6.62-O(y) (describing PNP Plus orders as ECOs that may only trade with other ECOs, but which will continuously be repriced if locking or crossing the Complex BBO).

²⁹ See proposed Exchange Rule 6.91P-O(b)(2). Proposed Exchange Rule 6.91P-O(b) is included in the Single-Leg Pillar Filing. An ECO designated as GTX (“ECO GTX Order”) will not be displayed, may be entered only during the Response Time Interval of a COA, must be on the opposite side of the COA Order, and must specify the price, size, and side of the market. ECO GTX Orders may be modified or cancelled during the Response Time Interval and any remaining size that does not trade with the COA Order will be cancelled at the end of the COA. See proposed Exchange Rule 6.91P-O(b)(2)(B).

³⁰ See proposed Exchange Rule 6.91P-O(c).

³¹ See proposed Exchange Rule 6.91P-O(c)(1)(A).

³² See proposed Exchange Rule 6.91P-O(c)(1)(B).

³³ See Proposed Exchange Rule 6.91P-O(c)(2).

³⁴ See Proposed Exchange Rule 6.91P-O(c)(3).

³⁵ See Proposed Exchange Rule 6.91P-O(c)(4).

Execution of ECOs at the Open (or Reopening after a Trading Halt. With the transition to Pillar, the Exchange proposes new functionality regarding the ECO Opening Auction Process on the Exchange, which will apply to both to openings and reopenings following a trading halt. Under the proposed rules, the Exchange will initiate an ECO Opening Auction Process for a complex strategy only if all legs of the complex strategy have opened or reopened for trading.³⁶ A complex strategy will not be opened if: (A) any leg of the complex strategy has no BO or NBO; (B) the bid and offer prices used to calculate the DBBO for the complex strategy are locking or crossing; or (C) all legs of the complex strategy include displayed Customer interest and the width of the DBBO is less than or equal to one penny (\$0.01) times the smallest leg ratio.³⁷ Any ECOs in a complex strategy with prices that lock or cross one another will be eligible to trade in the ECO Opening Auction Process.³⁸ An ECO received during a pre-open state will not participate in the Auction Process for the leg markets pursuant to proposed Exchange Rule 6.64P-O.³⁹ A complex strategy created intra-day when all leg markets are open will not be subject to an ECO Opening Auction Process and instead will trade pursuant to proposed Exchange Rule 6.91P-O(e) regarding the handling of ECOs during Core Trading Hours.⁴⁰ The ECO Opening Auction Process will be used to reopen trading in ECOs after a trading halt.⁴¹

Proposed Exchange Rule 6.91P-O(d)(3) describes the ECO Opening Auction Process. Under the proposed rule, locking and crossing ECOs in a complex strategy will trade at the ECO Auction Price.⁴² The ECO Auction Price will be the price at which the maximum volume of

³⁶ See proposed Exchange Rule 6.91P-O(d)(1).

³⁷ See proposed Exchange Rule 6.91P-O(d)(1)(A)-(C).

³⁸ See proposed Exchange Rule 6.91P-O(d)(2).

³⁹ See proposed Exchange Rule 6.91P-O(d)(2)(A).

⁴⁰ See proposed Exchange Rule 6.91P-O(d)(2)(B).

⁴¹ See proposed Exchange Rule 6.91P-O(d)(2)(C).

⁴² See proposed Exchange Rule 6.91P-O(d)(3)(B)(ii).

ECOs can be traded in an ECO Opening Auction, subject to the proposed ECO Auction Collar.⁴³

If there are no locking or crossing ECOs in a complex strategy at or within the ECO Auction Collars, the Exchange will open the complex strategy without a trade.⁴⁴ An ECO to buy (sell) with a limit price at or above (below) the upper (lower) ECO Auction Collar will be included in the ECO Auction Price calculation at the price of the upper (lower) ECO Auction Collar, but ranked for participation in the ECO Opening (or Reopening) Auction Process in price-time priority based on its limit price.⁴⁵

The Exchange proposes to apply existing Pillar auction functionality regarding the processing of ECOs received during the period when an ECO Opening Auction Process is ongoing. Under the proposal, new ECOs and ECO Order Instructions⁴⁶ that the Exchange receives when the Exchange is conducting the ECO Opening Auction Process for a complex strategy will be accepted but will not be processed until after the conclusion of the process.⁴⁷ An ECO Order Instruction received during the ECO Opening Auction Process will not be processed until after this process concludes if it relates to an ECO that was received before the process

⁴³ See proposed Exchange Rule 6.91P-O(d)(3)(B). The upper (lower) price of an ECO Auction Collar for a complex strategy would be the DBO (DBB); provided, however, that if there is displayed Customer interest on all legs of a complex strategy, the upper (lower) price of an ECO Auction Collar will be one penny (\$0.01) times the smallest leg ratio inside the DBO (DBB) containing Customer interest. See proposed Exchange Rule 6.91P-O(d)(3)(A). If there is more than one price at which the maximum volume of ECOs can be traded within the ECO Auction Collar, the ECO Auction Price will be the price closest to the midpoint of the ECO Auction Collar, or, if the midpoint falls within such prices, the ECO Auction Price will be the midpoint, provided that the ECO Auction Price would not be lower (higher) than the highest (lowest) price of an ECO to buy (sell) that is eligible to trade in the ECO Opening Auction Process. If the ECO Auction Price would be a sub-penny price, it will be rounded to the nearest whole penny. See proposed Exchange Rule 6.91P-O(d)(3)(B).

⁴⁴ See proposed Exchange Rule 6.91P-O(d)(3)(B)(ii).

⁴⁵ See proposed Exchange Rule 6.91P-O(d)(3)(B)(i).

⁴⁶ An “ECO Order Instruction” is “a request to cancel, cancel and replace, or modify an ECO.” See proposed Exchange Rule 6.91P-O(a)(2).

⁴⁷ See proposed Exchange Rule 6.91P-O(d)(4).

begins and any subsequent ECO Order Instructions relating to the ECO will be rejected.⁴⁸ An ECO Order Instruction received during the ECO Opening Auction Process will be processed on arrival if it relates to an order that was received during the opening process.⁴⁹

After the ECO Opening Auction, ECOs will be subject to the ECO Price Protection in proposed Exchange Rule 6.91P-O(g)(2). An ECO received before the complex strategy was opened that did not trade in whole in the ECO Opening Auction Process and that is locking or crossing other ECOs or leg markets in the Consolidated Book will trade pursuant to proposed Exchange Rule 6.91P-O(e).⁵⁰ Any ECO received during the ECO Opening Auction Process will be processed in time sequence relative to one another based on original entry time.⁵¹

Execution of ECOs During Core Trading Hours. Proposed Exchange Rule 6.91P-O(e) describes the processing of ECOs during Core Trading Hours. Proposed Exchange Rule 6.91P-O(e)(1)(A) provides that if, at a price, an incoming ECO would be eligible to trade with the leg markets (e.g., the order is not a Complex Only Order), the leg markets will have first priority at that price and will trade with the incoming ECO pursuant to proposed Exchange Rule 6.76AP-O before the incoming ECO will trade with contra-side ECOs resting in the Consolidated Book at that price. An ECO will not trade with orders in the leg markets designated as AON or with an MTS modifier.⁵² An ECO that is not designated as a Complex Only Order will be eligible to trade with the leg markets (in full or in a permissible ratio), provided that an ECO will be ineligible to trade with the leg markets and will be processed as a Complex Only Order if the ECO has a strategy with: (i) more than five legs; (ii) two legs and both legs are buying or both legs are selling, and both legs are calls or both legs are puts; or (iii) three or more legs and all

⁴⁸ See proposed Exchange Rule 6.91P-O(d)(4)(A).

⁴⁹ See proposed Exchange Rule 6.91P-O(d)(4)(B).

⁵⁰ See proposed Exchange Rule 6.91P-O(d)(5)(A).

⁵¹ See proposed Exchange Rule 6.91P-O(d)(5)(B).

⁵² See proposed Exchange Rule 6.91P-O(e)(1)(B). See also See Single-Leg Pillar Filing (describing Minimum Trade Size or MTS Modifier in proposed Exchange Rule 6.62P-O(i)(3)(B)).

legs are buying or all legs are selling.⁵³

Any ECO or portion thereof that does not trade immediately when it is received by the Exchange and that is designated either Day or GTC will be ranked in the Consolidated Book pursuant to proposed Exchange Rule 6.91P-O(c).⁵⁴ The Exchange will evaluate trading opportunities for a resting ECO when the leg markets comprising a complex strategy update, provided that during periods of high message volumes, the Exchange may reduce the evaluations to no less than ten times per one second.⁵⁵ ECOs that trade with the leg markets will be allocated pursuant to Exchange Rule 6.76AP-O.⁵⁶

Execution of ECOs During a COA. A COA Order received when a complex strategy is open for trading will initiate a COA only on arrival, subject to proposed Exchange Rule 6.91P-O(f)(1).⁵⁷ A COA Order will be rejected if entered during a pre-open state or if entered during Core Trading Hours with a time-in-force of FOK or GTX.⁵⁸ Only one COA will be conducted at a time in a complex strategy.⁵⁹

To initiate a COA, the limit price of a COA Order to buy (sell) must be higher (lower) than the best-priced, same-side ECOs resting on the Consolidated Book and equal to or higher (lower) than the midpoint of the DBBO.⁶⁰ A COA Order that does not satisfy these pricing parameters will not initiate a COA and will be processed as an ECO.⁶¹ Once a COA is initiated, the Exchange will disseminate a Request for Response message, the Response Time Interval will

⁵³ See proposed Exchange Rule 6.91P-O(e)(1)(C).

⁵⁴ See proposed Exchange Rule 6.91P-O(e)(2).

⁵⁵ See *id.*

⁵⁶ See proposed Exchange Rule 6.91P-O(e)(3).

⁵⁷ See proposed Exchange Rule 6.91P-O(f).

⁵⁸ See *id.*

⁵⁹ See *id.*

⁶⁰ See proposed Exchange Rule 6.91P-O(f)(1).

⁶¹ See *id.*

begin, and the Exchange will accept RFR Responses, including GTX ECO Orders.⁶²

A COA Order to buy (sell) will initiate a COA at its limit price, unless its limit price locks or crosses the DBO (DBB), in which case it will initiate a COA at a price equal to one penny (\$0.01) times the smallest leg ratio inside the DBO (DBB) (the “COA initiation price”).⁶³ Prior to initiating a COA, a COA Order to buy (sell) will trade with any ECO to sell (buy) that is priced equal to or below (above) one penny (\$0.01) times the smallest leg ratio inside the DBO (DBB) (i.e., priced better than the leg markets) and any unexecuted portion of such COA Order will initiate a COA.⁶⁴ A COA Order will not be eligible to trade with the leg markets until after the COA ends.⁶⁵

A COA will end prior to the expiration of the Response Time Interval if: (A) the Exchange receives an incoming ECO or COA Order to buy (sell) in the same complex strategy that is priced higher (lower) than the initiating COA Order to buy (sell); (B) the Exchange receives an RFR Response that crosses the same-side DBBO; (C) the leg markets update causing the same-side DBBO to lock or cross (i) any RFR Response(s) or (ii) if no RFR Responses have been received, the best-priced, contra-side ECOs; or (D) the leg markets update causing the contra-side DBBO to lock or cross the COA initiation price.⁶⁶

At the conclusion of a COA, RFR Responses to sell (buy) will trade in price-time priority with a COA Order to buy (sell).⁶⁷ If there is displayed Customer interest on all legs of the DBB (DBO), RFR Responses to sell (buy) will not trade below (above) one penny (\$0.01) times the smallest leg ratio inside the DBB (DBO).⁶⁸ Any unexecuted balance of a COA Order (including

⁶² See id.

⁶³ See proposed Exchange Rule 6.91P-O(f)(2).

⁶⁴ See proposed Exchange Rule 6.91P-O(f)(2)(A).

⁶⁵ See proposed Exchange Rule 6.91P-O(f)(2)(B).

⁶⁶ See proposed Exchange Rule 6.91P-O(f)(3).

⁶⁷ See proposed Exchange Rule 6.91P-O(f)(4)(A).

⁶⁸ See id.

those designated as IOC) will be eligible to trade with any contra-side interest, including the leg markets, unless the COA Order is designated or treated as a Complex Only Order.⁶⁹ Following these allocations, any unexecuted balance of a COA Order will be processed as an ECO pursuant to proposed Exchange Rule 6.91P-O(e).⁷⁰

A pattern or practice of submitting unrelated orders that cause a COA to conclude early will be deemed conduct inconsistent with just and equitable principles of trade, as will the dissemination of information related to COA Orders to third parties.⁷¹

ECO Risk Checks. With the transition to Pillar, the Exchange proposes to modify and enhance its existing risk checks for ECOs by adopting a Complex Strategy Limit, ECO Price Protection, and Complex Strategy Protections. Under the proposed Complex Strategy Limit, the Exchange will establish a limit on the maximum number of new complex strategies that may be requested to be created per MPID.⁷² When an MPID reaches the limit on the maximum number of new complex strategies, the Exchange will reject all requests to create new complex strategies from that MPID for the rest of the trading day.⁷³ Notwithstanding the established Complex Strategy Limit, the Exchange may reject a request to create a new complex strategy from any MPID whenever the Exchange determines it is necessary in the interests of a fair and orderly market.⁷⁴

Under the ECO Price Protection, an ECO to buy (sell) will be rejected or cancelled (if

⁶⁹ See proposed Exchange Rule 6.91P-O(f)(4)(B).

⁷⁰ See proposed Exchange Rule 6.91P-O(f)(4)(C).

⁷¹ See proposed Exchange Rule 6.91P-O(f)(5).

⁷² The Exchange will announce the limit on the maximum number of new complex strategies by Trader Update. See proposed Exchange Rule 6.91P-O(g)(1). In the Single-Leg Pillar Filing, the Exchange has proposed to amend define MPID to mean “the identification number(s) assigned to the orders and quotes of a single ETP Holder, OTP Holder, or OTP Firm for the execution and clearing of trades on the Exchange by that permit holder. An ETP Holder, OTP Holder, or OTP Firm may obtain multiple MPIDs and each such MPID may be associated with one or more sub-identifiers of that MPID.”

⁷³ See proposed Exchange Rule 6.91P-O(g)(1).

⁷⁴ See *id.*

resting) if it is priced a Specified Threshold⁷⁵ equal to or above (below) the Reference Price, rounded down to the nearest penny (\$0.01).⁷⁶ An ECO that arrives when a complex strategy is open for trading will be evaluated for ECO Price Protection on arrival.⁷⁷ An ECO received during a pre-open state will be evaluated for ECO Price Protection after the ECO Opening Auction Process concludes.⁷⁸ An ECO resting on the Consolidated Book before a trading halt will be reevaluated for ECO Price Protection after the ECO Opening Auction Process concludes.⁷⁹ Cross Orders and ECOs entered on the Trading Floor will not be subject to ECO Price Protection.⁸⁰ ECO Price Protection will not be applied if there is no Reference Price for an ECO.⁸¹

Under the Complex Strategy Protections, the Exchange will reject ECOs that are comprised of certain erroneously-priced complex strategies.⁸² The proposed rule states that, to protect an OTP Holder or OTP Firm that sends an ECO with the expectation that it will receive (or pay) a net premium but has priced the ECO such that the ECO sender will instead pay (or receive) a net premium, the Exchange will reject any ECO that is comprised of the following erroneously-priced complex strategies:

⁷⁵ The Specified Threshold for calculating ECO Price Protection will be \$1.00, unless determined otherwise by the Exchange and announced to OTP Holders and OTP Firms by Trader Update. See proposed Exchange Rule 6.91P-O(g)(2)(C).

⁷⁶ The Reference Price for calculating ECO Price Protection for an ECO to buy (sell) will be the Complex NBO (NBB), provided that, immediately following an ECO Opening Auction Process, the Reference Price will be the ECO Auction Price or, if none, the Complex NBO (NBB). There will be no Reference Price for an ECO if there is no NBBO for any leg of such ECO. For purposes of determining a Reference Price, the Exchange will not use an adjusted NBBO. See proposed Exchange Rule 6.91P-O(g)(2)(B).

⁷⁷ See proposed Exchange Rule 6.92P-O(g)(2)(A)(i).

⁷⁸ See proposed Exchange Rule 6.92P-O(g)(2)(A)(ii).

⁷⁹ See proposed Exchange Rule 6.92P-O(g)(2)(A)(iii).

⁸⁰ See proposed Exchange Rule 6.92P-O(g)(2)(A)(iv).

⁸¹ See proposed Exchange Rule 6.92P-O(g)(2)(A)(v).

⁸² See proposed Exchange Rule 6.91P-O(g)(3). Any ECO that is not rejected by the Complex Strategy Protections would still be subject to the ECO Price Protection. See proposed Exchange Rule 6.92P-O(g)(3)(D).

- “All buy” or “all sell” strategies. An ECO for a complex strategy where all legs are to buy (sell) and it is entered at a price less than one penny (\$0.01) times the sum of the number of options in the ratio of each leg of such strategy (e.g., a complex strategy to buy (sell) two calls and buy (sell) one put with a price less than \$0.03);⁸³
- Vertical spreads. A vertical spread complex strategy consists of a leg to sell a call (put) option and a leg to buy a call (put) option in the same option class with the same expiration but at different strike prices, as follows: (i) an ECO for a vertical spread to buy a lower (higher) strike call and sell a higher (lower) strike call and the ECO sender would receive (pay) a net premium; (ii) an ECO for a vertical spread to buy a higher (lower) strike put and sell a lower (higher) strike put and the ECO sender would receive (pay) a net premium;⁸⁴ and
- Calendar spreads. A calendar spread consists of a leg to sell a call (put) option and a leg to buy a call (put) option in the same option class at the same strike price but with different expirations, as follows: (i) an ECO for a calendar spread to buy a call leg with a shorter (longer) expiration while selling a call leg with a longer (shorter) expiration and the ECO sender would pay (receive) a net premium; (ii) an ECO for a calendar spread to buy a put leg with a shorter (longer) expiration while selling a put leg with a longer (shorter) expiration and the ECO sender would pay (receive) a net premium.⁸⁵

Rule 6.47A-O: Order Exposure Requirements — OX

The Exchange also proposes conforming, non-substantive amendments to Exchange Rule 6.47A-O, regarding order exposure, to add a cross-reference to new Exchange Pillar Rule 6.91P-O. This proposed amendment will extend the exemption from the order exposure requirements

⁸³ See proposed Exchange Rule 6.92P-O(g)(3)(A).

⁸⁴ See proposed Exchange Rule 6.92P-O(g)(3)(B).

⁸⁵ See proposed Exchange Rule 6.92P-O(g)(3)(C).

to COAs on Pillar.⁸⁶ The Exchange also proposes to modify the reference to “Complex Order Auction Process (‘COA’)” to simply “Complex Order Auction (‘COA’),” consistent with the way this concept is defined in proposed Exchange Rule 6.91P-O(a)(7).

As described more fully in the Notice, the Exchange believes that the proposal will promote clarity and transparency regarding the trading of ECOs on Pillar. The Exchange states that the proposed price-time priority model for Pillar and the pricing requirements for ECO trading are substantively the same as the Exchange’s current price-time priority model and pricing requirements. In addition, the Exchange states that the proposed ECO auction process maintains the fundamentals of an auction process that the Exchange currently uses for ECOs while enhancing the process by incorporating Pillar auction functionality that is currently available on the Exchange’s cash equity platform. The Exchange states that the proposed ECO risk checks are similar to functionality currently available on the Exchange or on other exchanges.

III. Proceedings to Determine Whether to Approve or Disapprove SR-NYSEArca-2021-68 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act⁸⁷ to determine whether the proposed rule change should be approved or disapproved. Institution of such proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, as described below, the Commission seeks and encourages interested persons to provide comments on the proposed rule change.

⁸⁶ See proposed Exchange Rule 6.47A-O(iii). Consistent with the Single-Leg Pillar Filing, the Exchange also proposes to replace reference to “OX” with “the Exchange.”

⁸⁷ 15 U.S.C. 78s(b)(2)(B).

Pursuant to Section 19(b)(2)(B) of the Act,⁸⁸ the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of the proposed rule change's consistency with Section 6(b)(5) of the Act,⁸⁹ which requires, among other things, that the rules of a national securities exchange be “designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, . . . to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest,”⁹⁰ and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.⁹¹

IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their data, views, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposal. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change is consistent with Section 6(b)(5) or any other provisions of the Act, or rules and regulations thereunder. Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of data, views, and arguments, the Commission will consider, pursuant to Rule 19b-4 under the Act,⁹² any request for an opportunity to make an oral presentation.⁹³

⁸⁸ Id.

⁸⁹ 15 U.S.C. 78f(b)(5).

⁹⁰ Id.

⁹¹ See id.

⁹² 17 CFR 240.19b-4.

⁹³ Section 19(b)(2) of the Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29 (June 4, 1975), grants to the Commission flexibility to determine what type of proceeding – either oral or notice and opportunity for written comments – is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Senate Comm. on Banking, Housing & Urban Affairs, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change should be approved or disapproved by [insert date 21 days from publication in the Federal Register]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [insert date 35 days from publication in the Federal Register]. The Commission asks that commenters address the sufficiency and merit of the Exchange's statements in support of the proposal, in addition to any other issues raised by the proposed rule change raised under the Act.

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-NYSEArca-2021-68 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-NYSEArca-2021-68. The file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the

principal office of the Exchange. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-NYSEArca-2021-68 and should be submitted by [insert date 21 days from the date of publication in the Federal Register]. Rebuttal comments should be submitted by [insert date 35 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹⁴

J. Matthew DeLesDernier,

Assistant Secretary.

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⁹⁴ 17 CFR 200.30-3(a)(12); 17 CFR 200.30-3(a)(57).